

TOWNSHIP OF EDWARDS
OGEMAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Edwards Township	County Ogemaw
Fiscal Year End March 31, 2007	Opinion Date July 5, 2007	Date Audit Report Submitted to State September 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA	License Number 11050	

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Elected Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet With the Statement of Net Assets	7
Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Governmental	
Funds	8
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds to the Statement of	
Activities	9
Statement of Fiduciary Net Assets -	
Fiduciary Funds	10
Statement of Changes in Fiduciary Net Assets -	
Fiduciary Funds	11
Notes to financial statements	12-22
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual - General	
Fund	23-25
COMMENTS AND RECOMMENDATIONS	26

INTRODUCTORY SECTION

TOWNSHIP OF EDWARDS
LIST OF ELECTED OFFICIALS
MARCH 31, 2007

ELECTED OFFICIALS

Margaret Kartes (deceased 3/27/07)	Supervisor
Douglas Brewer	Clerk
Deborah Kartes	Treasurer
Edward Buckel	Trustee
Harry J. Kolberg	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Edwards
Ogemaw County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Edwards, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Edwards, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Township of Edwards
Independent Auditors' Report
Page Two

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Edwards, Michigan, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Haudeth, CPA, PC

July 5, 2007

BASIC FINANCIAL STATEMENTS

Township of Edwards
Government-Wide Financial Statements
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 123,814
Assessment receivables	80,128
Due from other governmental units	8,203
Due from other funds	4,888
Capital assets (net of accumulated depreciation):	
Land and improvements	800
Buildings and improvements	217,787
Equipment	<u>599</u>
Total assets	<u>436,219</u>
LIABILITIES	
Accounts payable	1,001
Employee payroll withholdings	649
Hall deposits	<u>1,550</u>
Total liabilities	<u>3,200</u>
NET ASSETS	
Invested in capital assets	219,186
Unrestricted	<u>213,833</u>
Total net assets	<u><u>\$ 433,019</u></u>

See notes to financial statements

Township of Edwards
Government-Wide Financial Statements
Statement of Activities
For the Year Ended March 31, 2007

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 19,316	\$ 2,320	\$	\$
Government	90,443	5,900	3,849	
Public safety	24,950		2,862	
Public works	267,605		2,647	144,590
Community/ Economic Development	<u>3,879</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	<u>\$ 406,193</u>	<u>\$ 8,220</u>	<u>\$ 9,358</u>	<u>\$ 144,590</u>

General revenues:

Property taxes, penalties, interest & fees
State revenue sharing
Interest earnings
Rents
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense)
Revenue and
Changes in
Net Assets**

**Governmental
Activities**

\$ (16,996)

(80,694)

(22,088)

(120,368)

(3,879)

(244,025)

97,845

95,927

4,863

13,850

7,368

219,853

(24,172)

457,191

\$ 433,019

Township of Edwards
Balance Sheet
Governmental Funds
March 31, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 123,814	\$ 123,814
Assessment receivables	80,128	80,128
Due from County	8,203	8,203
Due from agency fund	<u>4,888</u>	<u>4,888</u>
Total assets	<u>\$ 217,033</u>	<u>\$ 217,033</u>
 LIABILITIES		
Accounts payable	\$ 1,001	\$ 1,001
Employee payroll withholdings	649	649
Hall deposits	<u>1,550</u>	<u>1,550</u>
Total liabilities	3,200	3,200
 FUND BALANCES		
Fund balances		
Unreserved	<u>213,833</u>	<u>213,833</u>
Total liabilities and fund balances	<u>\$ 217,033</u>	<u>\$ 217,033</u>

See notes to financial statements

Township of Edwards
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2007

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 213,833
---	------------

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	363,468
Accumulated depreciation	<u>(144,282)</u>

Total Net Assets - Governmental Activities	<u>\$ 433,019</u>
--	-------------------

See notes to financial statements

Township of Edwards
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2007

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Property taxes, penalties, interest & fees	\$ 97,845	\$ 97,845
Licenses & permits	2,320	2,320
State aid	102,808	102,808
Charges for services	5,900	5,900
Interest earnings	4,863	4,863
Rents & deposits	13,850	13,850
Other revenue:		
Miscellaneous	7,368	7,368
Special assessments	144,590	144,590
Reimbursements	<u>2,477</u>	<u>2,477</u>
Total revenues	<u>382,021</u>	<u>382,021</u>
EXPENDITURES		
Current:		
Legislative	19,316	19,316
General government	82,565	82,565
Public safety	24,950	24,950
Public works	267,605	267,605
Community/Economic Development	<u>3,879</u>	<u>3,879</u>
Total expenditures	<u>398,315</u>	<u>398,315</u>
Net changes in fund balance	(16,294)	(16,294)
Fund balance - beginning	<u>230,127</u>	<u>230,127</u>
Fund balance - ending	<u>\$ 213,833</u>	<u>\$ 213,833</u>

See notes to financial statements

Township of Edwards
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$(16,294)
---	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (were less than) depreciation in the current period.	<u>(7,878)</u>
---	-----------------

Change in net assets of governmental activities	<u><u>\$(24,172)</u></u>
---	---------------------------

See notes to financial statements

Township of Edwards
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2007

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>8,511</u>
Total assets	<u>8,511</u>
LIABILITIES	
Due to other funds	4,888
Due to other governmental units	<u>3,623</u>
Total liabilities	<u>8,511</u>
NET ASSETS	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Township of Edwards
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2007

	<u>Tax Collection Fund</u>
ADDITIONS	
Property taxes and fees	\$1,080,367
Interest earned	<u>210</u>
Total additions	<u>1,080,577</u>
DEDUCTIONS	
Payments to general fund	97,639
Payments to other governmental units	<u>982,938</u>
Total deductions	<u>1,080,577</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u>\$ </u>

See notes to financial statements

Township of Edwards
Notes to the Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The financial statements of the Township of Edwards (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is involved with the jointly governed Ogemaw Fire Department.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Ogemaw County, which advances the Township 100% for the delinquent taxes.

The 2006 taxable valuation of the Township totaled \$40,416,314, on which ad valorem taxes levied consisted of .7106 mills for Township operating purposes and voted millage of 1.4216 mills for road maintenance purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$11,512 to collect the taxes and applicable interest.

The Township reports the following major governmental fund:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following fiduciary fund:

The *tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also

authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Furniture and fixtures	5
Equipment	10

5. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Township of Edwards does not have any long-term obligations.

6. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Comparative data/reclassifications

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a

proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

For the year ended March 31, 2007, expenditures exceeded appropriations in the activities of fire protection and the Morris Highland paving project (the legal level of budgetary control) of the general fund by \$350 and \$6,402. These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

A. Cash and Investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	Total Bank	Custody Credit Risk			Total
	Balance	Category 1	Category 2	Category 3	Carrying Value
Demand					
Deposits	\$ 52,654	\$ 50,654	\$	\$	\$ 24,461
Savings	57,864	57,864			57,864
Certificate of deposits	50,000	50,000			50,000
Total	<u>\$ 160,518</u>	<u>\$160,518</u>	<u>\$</u>	<u>\$</u>	<u>\$132,325</u>

Investments

The Township does not have any investments.

A reconciliation of cash as shown on the statement of net assets follows:

Carrying amount of deposits:

General fund checking	\$ 15,950
General fund savings	57,864
General fund certificate of deposit	50,000
Agency fund-tax collection checking	<u>8,511</u>
Total	<u>\$ 132,325</u>

Cash and cash equivalents:

Governmental funds	\$ 152,362
Governmental funds - checks written in excess of deposits	(28,549)
Agency fund	8,155
Agency fund - deposits in transit	3,059
Agency fund - checks written in excess of deposits	<u>(2,702)</u>
Total	<u>\$ 132,325</u>

B. Receivables

Ogemaw County owes the Township \$8,203 in delinquent taxes and administration fees as of March 31, 2007.

During the fiscal year ending March 31, 2007, paving of Morris Drive was completed at a cost of \$134,799. Twenty five property owners will be assessed for this cost over five years with an interest rate of 8%. Several property owners paid their \$5,391.96 balances off during the fiscal year, leaving a special assessment receivable balance of \$80,128 due as of March 31, 2007.

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ <u>800</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>800</u>
Capital assets, being depreciated:				
Buildings & improvements:				
Township hall	311,124			311,124
Equipment	<u>51,544</u>	<u> </u>	<u> </u>	<u>51,544</u>
Total capital assets being depreciated	<u>362,668</u>	<u> </u>	<u> </u>	<u>362,668</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Township hall	(85,559)	(7,778)		(93,337)
Equipment	(50,845)	(100)		(50,945)
Total accumulated depreciation	(136,404)	(7,878)		(144,282)
Total capital assets, being depreciated, net	226,264	(7,878)		218,386
Governmental activities capital assets, net	<u>\$ 227,064</u>	<u>\$ (7,878)</u>	<u>\$</u>	<u>\$ 219,186</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	<u>\$ 7,878</u>
Total depreciation expense-governmental activities	<u>\$ 7,878</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

There were no transfers between funds other than property taxes and administration fees transferred from the tax collection fund to the general fund.

The composition of interfund balances as of March 31, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 4,888</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

B. Pension plan

The Township has a non-standardized money purchase pension plan with Municipal Retirement Systems, Inc. through USG Annuity and Life Company effective May 30, 1991.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All full-time employees earning at least \$400 are eligible to be covered under the pension plan. Every employee who becomes subsequently employed shall be eligible on the first policy anniversary on which he or she is at least 18 years old and not more than 75 years old. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance.

C. Joint Area Fire Board

Edwards Township appropriates funds for fire protection and provides fire protection services through the Ogemaw Fire Department. The Fire Department is a joint area fire board serving six governmental units - City of West Branch, Churchill Township, Edwards Township, Horton Township, Ogemaw Township and West Branch Township. The Township appoints one member to the joint venture's governing board, who then approve the annual budget. The contributions from the local governments are computed based on the state equalized value for the areas served. A copy of financial statements for the Fire Department may be obtained from the Township Supervisor.

D. Subsequent Events

On April 30, 2007, Mark Lehman was appointed by the Township Board to the Supervisor position.

A letter from the State Tax Commission, dated May 21, 2007, states that based on an initial review of information provided regarding potential inappropriate assessing practices in Edwards Township, Ogemaw County, that the issues listed need further review.

Required Supplementary Information

Township of Edwards
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes (includes delinquent taxes, penalties, interest & fees)	\$103,750	\$ 103,750	\$ 97,845	\$(5,905)
Non-business permits	3,600	3,600	2,320	(1,280)
Intergovernmental revenue from state:				
State revenue sharing	97,000	97,000	95,927	(1,073)
Metro Act Election reimbursement	3,000	3,000	2,647	(353)
Liquor license fees	500	500	609	109
SET	400	400	385	(15)
Charges for services	3,200	3,200	3,240	40
Interest	7,800	7,800	5,900	(1,900)
Rents & deposits	1,300	1,300	4,863	3,563
Other revenue:	12,000	12,000	13,850	1,850
Miscellaneous			7,368	7,368
Special assessments	72,011	72,011	144,590	72,579
Reimbursements	3,000	3,000	2,477	(523)
Total revenues	<u>307,561</u>	<u>307,561</u>	<u>382,021</u>	<u>74,460</u>

EXPENDITURES

Current:

Legislative:

Township board:

Legal	10,000	10,000	520	9,480
Perke site	3,600	3,600	2,826	774
Trustee salaries	2,884	2,884	2,884	
Fringe benefits	4,000	4,000	3,471	529
Supplies	6,000	6,000	5,411	589
Miscellaneous	2,600	2,600	1,265	1,335
Boards & committees	2,500	2,500	1,813	687
Printing & advertising	2,000	2,000	325	1,675
Membership dues	<u>850</u>	<u>850</u>	<u>801</u>	<u>49</u>

Township of Edwards
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES (CONTINUED):				
Current:				
Legislative (cont'd.):				
Total township board	<u>34,434</u>	<u>34,434</u>	<u>19,316</u>	<u>15,118</u>
General government:				
Supervisor	11,329	11,329	9,666	1,663
Elections	4,000	4,000	2,894	1,106
Clerk	12,205	12,205	10,771	1,434
Board of review	2,000	2,000	946	1,054
Assessor	12,000	12,000	9,415	2,585
Treasurer	12,105	12,105	11,064	1,041
Hall & grounds	48,600	48,600	30,676	17,924
Cemetery	<u>10,925</u>	<u>10,925</u>	<u>7,133</u>	<u>3,792</u>
Total general government	<u>113,164</u>	<u>113,164</u>	<u>82,565</u>	<u>30,599</u>
Public safety:				
Fire protection	23,000	23,000	23,350	(350)
Police	<u>3,600</u>	<u>3,600</u>	<u>1,600</u>	<u>2,000</u>
Total public safety	<u>26,600</u>	<u>26,600</u>	<u>24,950</u>	<u>1,650</u>
Public works:				
Street lighting	800	800	685	115
Morris Highland paving	129,000	129,000	135,402	(6,402)
Dust control	14,000	14,000	8,060	5,940
Road maintenance	10,000	10,000	9,808	192
Road improvement	<u>126,500</u>	<u>126,500</u>	<u>113,650</u>	<u>12,850</u>
Total public works	<u>280,300</u>	<u>280,300</u>	<u>267,605</u>	<u>12,695</u>

Township of Edwards
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (CONTINUED):				
Current:				
Community/Economic				
Development:				
Community planning				
and zoning	<u>4,436</u>	<u>4,436</u>	<u>3,879</u>	<u>557</u>
Total				
expenditures	<u>458,934</u>	<u>458,934</u>	<u>398,315</u>	<u>60,619</u>
Net change in fund				
balance	<u>(151,373)</u>	<u>(151,373)</u>	<u>(16,294)</u>	<u>135,079</u>
Fund balance -				
beginning	<u>151,373</u>	<u>151,373</u>	<u>230,127</u>	<u>78,754</u>
Fund balance -ending	<u>\$</u>	<u>\$</u>	<u>\$213,833</u>	<u>\$ 213,833</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of Edwards
Ogemaw County, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments are based on observations made during the course of our examination for the year ended March 31, 2007:

Special Assessment Receivable

The ledger to record the transactions for special assessments of the Morris Lake paving project should be maintained separately by the Treasurer and Clerk and reconciled on a regular basis.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

July 5, 2007